



**Director of
Central
Intelligence**

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SITUATION REPORT

IRAN

A representative of Mehdi Bazargan, leader of the Liberation Movement of Iran, told US diplomats yesterday that Bazargan expects Prime Minister Bakhtiar will transfer power to Khomeini's Islamic Revolutionary Council after Khomeini announces its composition, probably today or tomorrow. Bazargan believes, the representative added, that Khomeini will return possibly within two weeks.

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We do not know if Bakhtiar or Khomeini endorse Bazargan's scenario for this orderly transfer of power. Bazargan enjoys Khomeini's trust, and Khomeini's entourage in Paris reportedly is in contact with him.

If Bakhtiar is willing to cede power to Khomeini along the lines Bazargan has outlined, the key question will be the attitude of the military leaders. Many senior officers have deferred plans for a coup to give Bakhtiar a chance but they are not likely to acquiesce in Khomeini's assumption of power. On the other hand, they are probably also aware that a coup would have little prospect now of restoring order in the long run and would risk civil war.

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Separatist Unrest

The Iranian military announced yesterday that Kurdish dissidents attacked a small gendarmerie post in Kordestan Province three miles from the Iraqi border. Earlier this week the commander of the Iranian ground

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forces told US officials that he was concerned that traditional insurgencies may develop in outlying provinces like Baluchestan and Kordestan. 25X1

A weakening of the central government in Iran has historically been followed by separatist moves among the country's minorities. So far we have not had any indication that major unrest is developing in the outlying provinces, but significant upheavals are likely if the crisis continues indefinitely. Unrest among the minorities like the Kurds and the Baluchis would offer outside powers an opportunity to intervene. 25X1

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BRIEFS AND COMMENTS

USSR-IRAN: Treaty of 1921

Recent Soviet references to the Soviet-Iranian treaty of 1921 appear designed to underscore Moscow's warnings against US military involvement in Iran rather than to prepare a pretext for Soviet intervention. Article Six of the treaty, which the Iranians have long considered null and void, states that the USSR has the "right to send its army into Iran" if third countries intend to "pursue a policy of transgression in Iranian territory."

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An exchange of letters between the two governments in 1921 made it clear that the USSR would have the right to intervene militarily in Iran only to counter White Russian forces. This, however, did not prevent the USSR from invoking the treaty when it occupied northern Iran in 1941.

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Earlier this month, an *Izvestia* article mentioned the treaty in the course of a pedestrian account of Soviet-Iranian relations. The article appeared to signal Moscow's direct interest in the outcome of the Iranian crisis and to amplify Soviet warnings against US intervention. A Soviet Foreign Ministry official remarked last week that the article was a reminder that the Soviets have interests in Iran that should be taken into account, but was not intended as a warning of possible Soviet intervention.

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The references to the treaty thus far are consistent with President Brezhnev's statement on 19 November that any interference in the affairs of a state bordering the USSR would be regarded as affecting Soviet security.

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LEBANON: Israeli Raid

Israeli ground forces supported by artillery crossed the Litani River last night and attacked two Palestinian bases in southeastern Lebanon. The raid apparently lasted only a few hours; Israeli spokesmen announced early this morning that units involved in the attack had already been withdrawn.

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Press accounts indicate that Palestinian artillery responded to the raid by firing on nearby Christian-held towns. Some areas of northern Israel apparently are alerted to possible terrorist retaliation.

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The raid, the second this week, was the first ground incursion by Israeli forces since the large-scale invasion of southern Lebanon last spring. It also marked the first time Israeli ground forces have crossed the Litani River from northern Israel. The Israeli action follows two terrorist incidents earlier this week.

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The attack came as the UN Security Council is debating the renewal of the mandate for UNIFIL, the UN's peacekeeping force in southern Lebanon. The current mandate expires tonight.

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ITALY: Communist Attack on Government

The directorate of the Italian Communist Party yesterday issued its harshest attack yet on the Andreotti government. [redacted] the Communists are considering withdrawing their support for the Christian Democratic government--which the Communists and four other parties back in parliament--but that they hope to avoid a governmental collapse and early parliamentary elections. The statement yesterday clearly reflects Communist chief Berlinguer's conviction that the present arrangement is hurting the party and could erode its electoral base if allowed to continue. [redacted]

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In their statement the Communists accused the Christian Democrats of reneging on their agreement to consult the party on major government policies in exchange for its parliamentary support. The Communists also claimed to see a conservative resurgence in the Christian Democratic Party and were critical of Christian Democratic chief Zaccagnini's consultations with US leaders last week. [redacted]

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[redacted] Berlinguer is convinced that Communist support for the government can continue only if the party is given an expanded role in the government's decisionmaking process. There are divisions within the party on the question of abandoning the majority, however, and Berlinguer is exploring several possibilities that would stop short of a complete break with the Andreotti government and allow it to remain in office. These apparently include continuing Communist parliamentary support on "selective" issues and an agreement to ensure a more direct Communist voice in regional governmental affairs. [redacted]

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Andreotti has not yet responded to the Communist statement. In the meantime, the continuing series of consultations preceding formal parliamentary debate on Andreotti's economic plan, now under way between the government, the parties and the labor unions, should produce reactions to the Communist move and help determine the future of the government. [redacted]

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UK: Strike Situation

Prime Minister Callaghan may have to rethink his decision not to declare a state of national emergency if there is no progress in settling the truck drivers' strike by this weekend. The strike and a rash of strikes in other sectors are likely to have serious economic and political consequences.

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The situation may be eased temporarily by a new agreement between the government and union leaders to stop picketing firms not directly involved in the strike and by encouraging the truckers to deliver essential goods. The drivers, however, have shown no inclination to back down and may simply ignore the new ground rules.

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The strikes almost certainly will result in wage increases well above the government's 5-percent limit, probably ending the effectiveness of this guideline. Spiraling wage hikes would reinforce the trend toward double-digit inflation and force the government to use unpopular contractionary fiscal and monetary policies. If the strike is prolonged, some sectors of the economy could need considerable time to recover. Export and import traffic is paralyzed, and some export markets may be lost permanently, thus worsening Britain's balance of payments.

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The Conservatives, who had attempted during the past year to woo the unions with a more conciliatory line, now are seeking to capitalize on the government's dilemma by demanding controls on the abuses of union power. The firm Tory line may strike a responsive chord in the electorate, which five years ago did not support the Conservatives in a showdown with the unions.

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Callaghan has proposed limited programs--already criticized by both union leaders and employers--designed to calm the situation. But the government is clearly on the defensive and--if it survives--the basic points raised by the Conservatives will become the focal point of debate concerning the trade unions.

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PALESTINIANS: PNC Political Program

The 21-point program passed by the Palestine National Council yesterday breaks little new ground and maintains the PLO's hardline stance on most Middle East peace issues. Moderates won partial approval for the PLO-Jordan dialogue, but most other points reflect extremist views. [redacted] 25X1

The program rejects the Camp David accords and dismisses UN Security Council Resolution 242. PLO participation in any international conference dealing with the Palestine question is authorized, however. [redacted] 25X1

A Palestinian government-in-exile is not mentioned in the program, which repeats the PNC's March 1977 call for an "independent Palestinian state" and adds the phrase "without any restriction or condition." The program praises Jordan's rejection of Camp David, supports continuing talks, cites US aggression against the Palestinian people, Soviet-Palestinian solidarity, and calls on Arab states to support the "national movement" against President Sadat. [redacted] 25X1

Radicals apparently inserted language which could be interpreted as endorsing PLO guerrilla attacks into Israel from Jordan--a demand that is strongly resisted by Amman. [redacted] 25X1

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GUINEA: Control of Soviet Ships

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President Toure has directed that regulations governing Soviet use of Conakry harbor be tightened, [REDACTED]

[REDACTED] Soviet warships will be given access to designated anchorage or dock sites only after advance request in writing. Lower ranking Guinean officials think this may prompt Moscow to seek naval-access rights elsewhere. Toure's action follows his recent reduction in the number of Soviet military advisers in Guinea and other gradual moves to lessen Guinean military dependence on the USSR. Toure is seeking to project a more nonaligned image and attract greater Western economic aid. His latest move could presage a decision in coming months to end the small Soviet naval patrol that has operated off Conakry since 1970. Toure's reconciliation last year with Senegal, Ivory Coast, and France--which shelter many Guinean exiles--has greatly eased Guinean security concerns. [REDACTED]

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SOUTH KOREA - NORTH KOREA: Call for Talks

At his annual press conference today, South Korean President Pak once again called for a resumption of North - South Korean talks. The South Koreans almost certainly do not anticipate a positive response from the North; Pak, however, evidently sees his proposals as demonstrating Seoul's flexibility. Pak appealed for talks "at any time and at any levels" without preconditions. North Korea has consistently turned aside such proposals since the Seoul-Pyongyang dialogue stalled in 1973. While the North Koreans maintain that the door is open to negotiations, they insist that the South must terminate its anti-Communist laws, its "Two Koreas" policy, and the control of domestic dissent. [REDACTED]

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CUBA-CHINA: Trade Protocol

The 1979 Cuban-Chinese trade protocol, under negotiation since November, was signed in Beijing (Peking) yesterday. The protocol is negotiated annually and is signed around this time each year. No details were provided, but we believe that total trade will approximate last year's level of about \$125 million - \$150 million. Despite their strained political relations since Cuba's large-scale military intervention in Africa in 1975, Cuba and China have continued to maintain commercial relations, albeit at a level roughly half that of the early 1970s.

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ZAMBIA-CHINA-USSR: Military Relations

Because of domestic pressure in Zambia to improve defenses against Rhodesian cross-border raids, President Kaunda has reportedly recalled some 200 military personnel from ground and air training courses in China. The returnees include pilots for Zambia's Chinese-built fighters. To our knowledge, the Zambians still have not accepted a \$200-million military assistance package from the USSR that would call for restructuring the Zambian military along Soviet lines. The Zambians are, however, awaiting a large shipment of Soviet weapons and plan to send 50 officers to the USSR in March for weapons training. The Zambians have not received MIGs from the USSR, as reported earlier, but they are discussing the purchase of MIG-21s with the Soviets and have sent 10 pilots to the USSR for a six-month MIG-21 training course. None of these steps will significantly improve Zambian military capabilities any time soon, but they may temporarily take some of the pressure by the military off Kaunda.

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SPECIAL ANALYSIS

SPAIN: Military Discontent

Military unhappiness with Prime Minister Suarez' government is clearly on the rise in Spain. To some extent the discontent stems from the broad range of political uncertainties and persistent economic problems that trouble all Spaniards, but the most sensitive immediate issue is the continued terrorism by the Basque separatist organization ETA. [redacted] 25X1

[redacted] most key military leaders remain loyal to King Juan Carlos and that the terrorists are unlikely to derail the legislative election set for 1 March. [redacted] 25X1
[redacted] the next government will face serious challenges in attempting to formulate policies that will not further alienate the military. [redacted] 25X1

While the Suarez government's perceived inability to cope effectively with terrorism has steadily eroded the military's confidence in it, the armed forces are united in their understanding that the ETA is specifically attempting to force the military into taking repressive measures in hopes of aggravating even further the situation in the Basque provinces. [redacted] 25X1

Although the King is no longer held in the same high esteem in all military circles as before--primarily as a result of his defense of the Suarez government--he is still looked upon as being basically above politics, and the great majority of the armed forces leadership remains in his camp. There simply is no one with the stature to replace him as the unifying force in Spain today. [redacted] 25X1

First Deputy Prime Minister for Defense Gutierrez Mellado and Interior Minister Martin Villa are the cabinet members most closely identified with the government's policy in dealing with the terrorist threat, and

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they are consequently the most maligned among the military and public order forces. Gutierrez Mellado in particular appears to have little if any support in the armed forces, where he is seen as a politician, and his days are clearly numbered. His departure before the election would be a political defeat for Suarez, but neither he nor Martin Villa is indispensable. 25X1

The government is acutely aware of its poor reputation in military and public order circles and is doing all it can to increase its effectiveness in combating terrorism. 25X1

In any case, there is a wide range of actions that can be taken by the government and by the military before the latter would feel required to launch a classical military coup with all the civil strife such a move would entail. Some of these options, such as the suspension of certain civil and judicial rights in the Basque provinces, are already under active consideration and may be implemented at any time. More drastic measures involving direct military participation--such as imposing martial law--are far less likely, and we have no information that the military is prepared to press for such action. 25X1 25X1

Military dissatisfaction is focused primarily on the terrorist problem. Regional demands for more autonomy, labor strikes, the economic situation, and the possibility of a Socialist victory in the March election are lesser but still important concerns.

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In sum, with the national election less than 45 days away--and barring an unforeseen calamity--it is likely that the military will adopt a wait-and-see attitude combined with continuing institutional pressure on the government to take stronger legal measures against terrorists. the current regime will not fall because of terrorism. Similarly, most agree that the post-election period will be more critical. The continuation of a democratic regime will depend in great part on the election results, subsequent coalitions and government policies, and the handling of regional autonomy demands.

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OVERNIGHT REPORTS

(The items in the Overnight Reports section have not been coordinated within the intelligence community. They are prepared overnight by the Office of Current Operations with analyst comment where possible from the production offices of NFAC.)

Romania-USSR

Romanian Foreign Minister Andrei will make an official visit to the USSR at the end of the month, according to simultaneous announcements in Moscow and Bucharest last night. [redacted] 25X1 25X1 25X1

COMMENT: [redacted]

[redacted] Bucharest's willingness to send Andrei to Moscow suggests that the two governments are ready to discuss their differences, including Romania's reluctance to accept increased defense appropriations and further integration of the Warsaw Pact command. The planned visit may also have played a part in Moscow's failure thus far to attack Bucharest for its criticism of the Vietnamese invasion of Kampuchea. [redacted]

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China-Pakistan

Chinese Vice Premier Li Xiennian (Li Hsien-nien) begins a three-day, official visit to Pakistan tomorrow on his way home from Africa. The US Embassy in Islamabad reports today that it was surprised by the announcement Wednesday, noting it had no hints of the trip in its extensive contacts with Chinese and Pakistani officials over the past two weeks. The Embassy surmises that the trip is designed, in part, to allay Pakistani concerns over Indian Foreign Minister Vajpayee's upcoming trip to Beijing (Peking) and to discuss developments in Iran.

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Cuba-US

The US Interests Section in Havana yesterday reported its views on the formal Cuban note of the previous day protesting the overflight by a US SR-71 aircraft on 12 November. Noting the long delay in filing the protest, the routine courier delivery, and the fact that both Castros had publicly condemned the overflight, the Interests Section sees the note as pro forma, lacking any direct threat of action against future overflights. It added that President Castro's failure to make counter-threats apparently reflects his inclination, probably at Soviet urging, not to aggravate the MIG-23 controversy with the US.

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Japan - West Germany

Japanese Foreign Minister Sonoda today completes two days of consultations in Bonn with Foreign Minister Genscher. The US Embassy in Tokyo has learned from a ranking Japanese Foreign Ministry official that Sonoda was expected to raise the subject of preparations for the seven-nation Western summit at Tokyo in June, seeking West German views on how to make it a success. The official said, however, that Japanese press stories erred in alleging that the summit would be the focus of the consultations. Sonoda has had wide-ranging, frank discussions before with Genscher and anticipated more of the same on this occasion, according to the official.

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Netherlands-China

Dutch Foreign Minister Van Der Klaauw arrived in Beijing (Peking) last night, the first visit there by a Western official of his rank since the normalization of Sino-US relations and the invasion of Kampuchea. His talks with Chinese officials will cover political matters in general and prospects for economic cooperation.

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